

NIBLEY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2005

**NIBLEY CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2005**

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council Members
Nibley City Corporation
Nibley City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Nibley City Corporation, Utah (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Nibley City Corporation as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary Capital Project Fund schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the same auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2005, on our consideration of Nibley City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wiggins & Co., PC

Brigham City, Utah
November 23, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Nibley City, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. The General Fund includes governmental activities such as administration, fire and first responder services, police protection, roads, parks, sanitation, planning and zoning, etc. The Enterprise Funds comprise utilities of water, sewer and storm drain. Also included is the financial information for the Municipal Building Authority of Nibley City. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: Nibley City Corporation 625 West 3200 South, Nibley, Utah 84321.

Financial Highlights

The total net assets of Nibley City Corporation increased by \$994,086, totaling \$9,390,683. The governmental activities' net assets increased by \$211,817 and the business-type activities' net assets increased by \$782,269.

The total net assets of Nibley City Corporation is \$9,390,683, and is made up of \$6,265,979 in capital assets (net of related debt) such as land, infrastructure, buildings and improvements and machinery and equipment. The remaining net assets total \$3,124,704. Of this amount, \$511,928 is unrestricted. The remaining \$2,612,776 is restricted for such items as debt service reserves, capital projects, parks and impact fees.

Total long-term liabilities of the City decreased by \$961. The long-term debt the City has incurred is for water system improvements in the Water Fund and the construction of new sewer system improvements, recorded in the Sewer Fund. The City also has entered into a capital lease for the acquisition of a street sweeper in the amount of \$89,120. The total outstanding long-term debt of the City at June 30, 2005, was \$8,586,941.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Nibley City Corporation's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business reporting.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will also need to be considered.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. Regardless of the timing of related cash flows, changes in net assets are reported as soon as the underlying event occurs that gives rise to the change. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds—These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities reported in the Statement of Net Assets and the Statement of Activities and the governmental funds in a reconciliation included with the fund financial statements.

The City reports two governmental funds as major funds (as determined by generally accepted accounting principles) in the fund financial statements. The two major funds reported are the General Fund and the Capital Project Fund.

Proprietary Funds—The City maintains four enterprise funds which are proprietary in nature. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Culinary Water Utility, Sewer Utility, Storm Drain Utility and the Municipal Building Authority. Each utility is reported as a separate enterprise fund. As determined by generally accepted accounting principles, the Culinary Water and Sewer utility funds meet the criteria for major fund classification. The two remaining funds are combined and reported as other (nonmajor) enterprise funds.

Fiduciary Funds—These funds are used to account for resources held for the benefit of parties outside the City. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City. The accounting method used for these funds is much like that used for proprietary funds. The City has only one fiduciary fund that is reported in the financial statements, the Justice Court Agency Fund.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For Nibley City Corporation, assets exceeded liabilities by \$9,390,683 at June 30, 2005.

By far the largest portion of the City's net assets (67%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that is outstanding at year end. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the operations of the funds wherein the capital assets are recorded, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of the net assets of the City is as follows:

Governmental Activities:

	2005	2004	Total Changes
Current and other assets	\$ 1,365,040	\$ 1,024,695	\$ 340,345
Capital assets	4,577,408	4,659,610	(82,202)
Total assets	<u>5,942,448</u>	<u>5,684,305</u>	<u>258,143</u>
Current and other liabilities	138,655	107,176	31,479
Long-term liabilities	14,847	-	14,847
Total liabilities	<u>153,502</u>	<u>107,176</u>	<u>46,326</u>
Net assets:			
Invested in capital assets, net of related debt	4,548,251	4,659,610	(111,359)
Restricted	1,009,776	716,280	293,496
Unrestricted	230,919	201,239	29,680
Total net assets	<u>\$ 5,788,946</u>	<u>\$ 5,577,129</u>	<u>\$ 211,817</u>

Business-type activities:

	2005	2004	Total Changes
Current and other assets	\$ 1,933,195	\$ 1,389,267	\$ 543,928
Capital assets	10,275,512	10,104,626	170,886
Total assets	<u>12,208,707</u>	<u>11,493,893</u>	<u>714,814</u>
Current and other liabilities	514,509	335,796	178,713
Long-term liabilities	8,092,461	8,338,629	(246,168)
Total liabilities	<u>8,606,970</u>	<u>8,674,425</u>	<u>(67,455)</u>
Net assets:			
Invested in capital assets, net of related debt	1,717,728	1,516,724	201,004
Restricted	1,603,000	869,102	733,898
Unrestricted	281,009	433,642	(152,633)
Total net assets	<u>\$ 3,601,737</u>	<u>\$ 2,819,468</u>	<u>\$ 782,269</u>

The City's total net assets increased by \$994,086 as summarized below:

Governmental Activities:

	2005	2004	Total Changes
Revenues:			
Program revenues:			
Charges for services	\$ 618,776	\$ 622,219	\$ (3,443)
Operating grants and contributions	96,247	112,499	(16,252)
Capital grants and contributions	-	-	-
General revenues:			
Property taxes	174,779	156,237	18,542
Sales taxes	188,477	169,722	18,755
Restaurant taxes	2,489	33,000	(30,511)
Franchise taxes	133,406	103,835	29,571
Unrestricted investment earnings	34,892	14,799	20,093
Gain on sale of fixed assets	-	-	-
Transfers	60,000	36,000	24,000
Total revenues	<u>1,309,066</u>	<u>1,248,311</u>	<u>60,755</u>
Expenses:			
Legislative	26,345	21,221	5,124
Judicial	30,218	33,969	(3,751)
Administration	337,019	239,243	97,776
Legal	8,179	10,908	(2,729)
Elections	102	-	102
Public safety	83,162	80,093	3,069
Highways and streets	372,827	389,035	(16,208)
Sanitation	119,181	116,358	2,823
Shop	18,113	-	18,113
Planning, zoning and engineering	28,566	17,867	10,699
Culture, parks and recreation	62,410	84,516	(22,106)
Community progress	11,127	12,304	(1,177)
Total expenses	<u>1,097,249</u>	<u>1,005,514</u>	<u>91,735</u>
Change in net assets	<u>\$ 211,817</u>	<u>\$ 242,797</u>	<u>\$ (30,980)</u>

Business-type activities:

Revenues:			
Program revenues:			
Charges for services	\$ 1,410,309	\$ 1,329,698	\$ 80,611
Operating grants and contributions	-	-	-
Capital grants and contributions	-	109,889	(109,889)
General revenues:			
Unrestricted investment earnings	31,796	23,088	8,708
Gain on sale of fixed assets	-	-	-
Transfers	(60,000)	(36,000)	(24,000)
Total revenues	<u>1,382,105</u>	<u>1,426,675</u>	<u>(44,570)</u>
Expenses:			
Water	208,501	204,248	4,253
Sewer	374,504	324,700	49,804
Storm drain	800	-	800
Municipal Building Authority	16,031	17,314	(1,283)
Total expenses	<u>599,836</u>	<u>546,262</u>	<u>53,574</u>
Change in net assets	<u>\$ 782,269</u>	<u>\$ 880,413</u>	<u>\$ (98,144)</u>

The change in the City's assets is mainly due to the positive change in net assets (revenues over expenses). The slight decrease in liabilities is mainly due to an increase in deposits payable and the fact that the sewer revenue bond payment due in 2005 was not paid (two payments will be made in 2006) and the City purchased equipment under a capital lease.

The City continues to experience residential and commercial growth. As a result of this growth, the revenues from property tax, sales tax and franchise tax continue to increase. The expenses increased mainly due to increases in public works, professional and technical services and personnel costs. The defined benefit retirement plan that the City participates in continues to experience rate increases as does health and accident insurance.

The increase in utility revenue is primarily due to increases in water and sewer connections and the implementation of a storm drain utility fee. Personnel costs increased in 2005 mainly due to the above mentioned retirement and insurance increases. The waste water treatment expenses paid to Logan City increased by \$48,961 due mainly to increased usage and connections to the system.

Fund Financial Analysis

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At June 30, 2005, the City's governmental funds (General and Capital Projects) reported combined fund balances of \$1,240,695. This represents an increase of \$323,174 during fiscal year 2005.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state statutes or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 40.1% of total General Fund revenues. The largest element of taxes is sales tax, representing 37.8% of total tax revenue and 15% of total General Fund revenues.

As stated earlier, the City maintains several Enterprise Funds to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government wide financial statements. However, the fund statements provide much more detail. See pages 16-19 of the financial report for this information.

Budgetary Highlights

During the year, the budgets of each fund were established and then amended to account for increases in revenue and expenses. Primarily the revenue changes were to bring revenues for energy taxes and intergovernmental grants into line with the year end revenue projections. Expenses were changed to account for personnel cost increases, repairs and maintenance increases and construction projects.

Capital Asset and Debt Administration

The City's investment in capital assets for all activities at June 30, 2005, amounted to \$17,723,740. Accumulated depreciation on capital assets was \$2,870,820. Net capital assets amounted to \$14,852,920 at June 30, 2005. The investment in capital assets includes land, buildings and systems, improvements, infrastructure (roads, sidewalks, curb and gutter, etc.), and machinery and equipment. The total increase in the City's investment in capital assets during 2005 was \$617,494. Depreciation expense for 2005 was \$528,809, with \$260,256 recorded in governmental activities and \$268,553 recorded in business-type activities.

Major capital asset increases during 2005 are as follows:

- Park development and improvements
- Equipment for highways, streets and storm drain
- Completion of the Nelsen well and waterline construction
- Acquisition of land and construction of lines for new development to enhance the sewer system.

A comparison of the capital assets of the City is as follows:

Governmental activities:

	2005	2004	Total Changes
Land	\$ 1,261,143	\$ 1,251,143	\$ 10,000
Buildings		-	-
Improvements	276,485	210,173	66,312
Infrastructure	4,369,801	4,369,801	-
Machinery & equipment	232,660	183,458	49,202
Construction in progress	68,724	16,183	52,541
	<u>6,208,813</u>	<u>6,030,758</u>	<u>178,055</u>
Less: accumulated depreciation	<u>(1,631,405)</u>	<u>(1,371,149)</u>	<u>(260,256)</u>
Total capital assets-governmental activities	<u>\$ 4,577,408</u>	<u>\$ 4,659,609</u>	<u>\$ (82,201)</u>

Business-type activities:

Land	\$ 276,210	\$ 139,114	\$ 137,096
Buildings	314,116	314,116	-
Improvements	10,781,374	10,041,644	739,730
Machinery & equipment	130,598	86,038	44,560
Construction in progress	12,629	494,576	(481,947)
	<u>11,514,927</u>	<u>11,075,488</u>	<u>439,439</u>
Less: accumulated depreciation	<u>(1,239,415)</u>	<u>(970,862)</u>	<u>(268,553)</u>
Total capital assets-business-type activities	<u>\$ 10,275,512</u>	<u>\$ 10,104,626</u>	<u>\$ 170,886</u>

Additional information on the City's capital assets can be found in the notes to the financial statements in this financial report.

The City had total outstanding long-term debt as of June 30, 2005, of \$8,586,941.

The detail of the long-term debt accounts is as follows:

	2005	2004	Total changes
Capital lease - governmental	\$ 29,157	\$ -	\$ 29,157
Capital lease - business-type	29,156	-	29,156
Municipal Building Authority bonds	151,000	172,000	(21,000)
Water Notes Payable	165,476	172,118	(6,642)
Water Bonds Payable	473,152	504,784	(31,632)
Sewer Bonds Payable	<u>7,739,000</u>	<u>7,739,000</u>	<u>-</u>
Total Long-term Debt	<u>\$ 8,586,941</u>	<u>\$ 8,587,902</u>	<u>\$ (961)</u>

Additional information on the City's long-term debt can be found in the notes to the financial statements in this financial report.

NIBLEY CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,011,620	\$ 271,931	\$ 1,283,551
Receivables			
Taxes	19,749	-	19,749
Accounts	25,667	58,264	83,931
Intergovernmental	21,754	-	21,754
Due from other funds	-	-	-
Restricted cash and cash equivalents	286,250	1,603,000	1,889,250
Capital assets (net of accumulated depreciation)			
Land and easements	1,261,143	276,210	1,537,353
Buildings	-	232,940	232,940
Improvements	206,417	9,684,801	9,891,218
Infrastructure	2,976,928	-	2,976,928
Machinery and equipment	64,196	68,932	133,128
Construction in progress	68,724	12,629	81,353
Total Assets	5,942,448	12,208,707	18,151,155
LIABILITIES			
Accounts payable	-	47,286	47,286
Accrued liabilities	-	-	-
Contracts and deposits payable	124,345	-	124,345
Accrued interest payable	-	1,900	1,900
Due to other funds	-	-	-
Deferred revenue	-	-	-
Noncurrent liabilities - due within one year	14,310	465,323	479,633
Noncurrent liabilities - due in more than one year	14,847	8,092,461	8,107,308
Total Liabilities	153,502	8,606,970	8,760,472
NET ASSETS			
Investment in capital assets, net of debt	4,548,251	1,717,728	6,265,979
Restricted for:			
Culture, parks and recreation	286,250	-	286,250
Debt service	-	284,754	284,754
Capital projects	723,526	1,318,246	2,041,772
Unrestricted	230,919	281,009	511,928
Total Net Assets	\$ 5,788,946	\$ 3,601,737	\$ 9,390,683

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
Legislative	\$ 26,345	\$ -	\$ -	\$ -	\$ (26,345)	\$ -	\$ (26,345)
Judicial	30,218	51,606	-	-	21,388	-	21,388
Administration	337,019	198,956	-	-	(138,063)	-	(138,063)
Legal	8,179	-	-	-	(8,179)	-	(8,179)
Elections	102	-	-	-	(102)	-	(102)
Public safety	83,162	75,187	1,393	-	(6,582)	-	(6,582)
Highways and streets	372,827	110	94,479	-	(278,238)	-	(278,238)
Sanitation	119,181	132,033	-	-	12,852	-	12,852
Shop	18,113	-	-	-	(18,113)	-	(18,113)
Planning and zoning	28,566	14,367	-	-	(14,199)	-	(14,199)
Culture, parks and recreation	62,410	146,517	375	-	84,482	-	84,482
Community development	11,127	-	-	-	(11,127)	-	(11,127)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	1,097,249	618,776	96,247	-	(382,226)	-	(382,226)
Business-type activities:							
Municipal building authority	16,031	26,000	-	-	-	9,969	9,969
Water	208,501	632,190	-	-	-	423,689	423,689
Sewer	374,504	736,935	-	-	-	362,431	362,431
Storm drain	800	15,184	-	-	-	14,384	14,384
Total business-type activities	599,836	1,410,309	-	-	-	810,473	810,473
Total primary government	\$ 1,697,085	\$ 2,029,085	\$ 96,247	\$ -	(382,226)	810,473	428,247
General revenues							
Property taxes					174,779	-	174,779
Sales taxes					188,477	-	188,477
Restaurant tax grant					2,489	-	2,489
911 and franchise tax					133,406	-	133,406
Grants and contributions not restricted to specific programs					-	-	-
Unrestricted investment earnings					34,892	31,796	66,688
Gain on sale of capital assets					-	-	-
Transfers					60,000	(60,000)	-
Total general revenues and transfers					594,043	(28,204)	565,839
Change in net assets					211,817	782,269	994,086
Net assets - beginning,					5,577,129	2,819,468	8,396,597
Net assets - ending					\$ 5,788,946	\$ 3,601,737	\$ 9,390,683

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 288,094	\$ 723,526	\$ 1,011,620
Receivables:			
Taxes	19,749	-	19,749
Accounts	25,667	-	25,667
Intergovernmental	21,754	-	21,754
Restricted cash and cash equivalents	286,250	-	286,250
Total assets	<u>\$ 641,514</u>	<u>\$ 723,526</u>	<u>\$ 1,365,040</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-
Contracts and deposits payable	124,345	-	124,345
Deferred revenue	-	-	-
Total liabilities	<u>124,345</u>	<u>-</u>	<u>124,345</u>
Fund balances			
Reserved for Class C Roads	-	-	-
Reserved for park development	286,250	-	286,250
Unreserved:			
Designated	84,987	-	84,987
Undesignated	145,932	723,526	869,458
Total fund balances	<u>517,169</u>	<u>723,526</u>	<u>1,240,695</u>
Total liabilities and fund balances	<u>\$ 641,514</u>	<u>\$ 723,526</u>	<u>\$ 1,365,040</u>

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET ASSETS
JUNE 30, 2005

Total fund balances-governmental funds \$ 1,240,695

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$ 1,261,143	
Buildings	-	
Improvements	276,485	
Machinery and equipment	232,660	
Infrastructure	4,369,801	
Construction in progress	68,724	
Accumulated depreciation	<u>(1,631,405)</u>	
Total capital assets		4,577,408

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Capital lease payable	<u>(29,157)</u>	
Total liabilities		<u>(29,157)</u>

Total net assets-governmental funds		<u><u>\$ 5,788,946</u></u>
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The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 174,779	\$ -	\$ 174,779
Sales	188,477	-	188,477
Restaurant tax grant	2,489	-	2,489
911 and Franchise tax	133,406	-	133,406
Licenses and permits	365,133	-	365,133
Intergovernmental	96,247	-	96,247
Charges for services	173,496	-	173,496
Fines	51,607	-	51,607
Miscellaneous	28,540	-	28,540
Investment earnings	30,209	4,683	34,892
Total revenues	<u>1,244,383</u>	<u>4,683</u>	<u>1,249,066</u>
EXPENDITURES			
Current:			
Legislative	26,345	-	26,345
Judicial	30,218	-	30,218
Administration	337,019	-	337,019
Legal	9,413	-	9,413
Elections	102	-	102
Public safety	83,162	-	83,162
Highways and streets	137,131	100,672	237,803
Sanitation	119,181	-	119,181
Shop	18,113	-	18,113
Planning and zoning	28,566	-	28,566
Culture, parks and recreation	82,284	31,715	113,999
Community development	11,127	-	11,127
Total expenditures	<u>882,661</u>	<u>132,387</u>	<u>1,015,048</u>
Excess (deficiency) of revenues over (under) expenditures	<u>361,722</u>	<u>(127,704)</u>	<u>234,018</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	60,000	273,460	333,460
Transfers out	(273,460)	-	(273,460)
Proceeds from capital lease	44,560	-	44,560
Principal payments-capital lease	(15,404)	-	(15,404)
Total other financing sources and uses	<u>(184,304)</u>	<u>273,460</u>	<u>89,156</u>
Net change in fund balances	<u>177,418</u>	<u>145,756</u>	<u>323,174</u>
Fund balances - beginning	<u>339,749</u>	<u>577,770</u>	<u>917,519</u>
Fund balances - ending	<u>\$ 517,167</u>	<u>\$ 723,526</u>	<u>\$ 1,240,693</u>

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$ 323,174
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets (\$178,056) exceeded depreciation (\$260,256) in the current period.	(82,200)
--	----------

The proceeds from capital lease are recorded as an other financing source in the governmental funds, but are not reported in the statement of activities	(44,560)
--	----------

The liability for capital leases is not recorded in the governmental funds, but is reported in the statement of assets. This is the current year change in the liability, not reported as expense in the statement of activities.	<div style="border-top: 1px solid black;">15,403</div>
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 211,817</div>
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The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 165,500	\$ 169,500	\$ 174,779	\$ 5,279
Sales	160,000	160,000	188,477	28,477
Franchise	87,000	108,000	133,406	25,406
Restaurant	-	2,500	2,489	(11)
Licenses and permits	231,093	324,000	365,133	41,133
Intergovernmental	110,900	102,900	96,247	(6,653)
Charges for services	133,000	158,000	173,496	15,496
Fines	45,200	48,200	51,607	3,407
Investment earnings	7,549	13,600	30,209	16,609
Miscellaneous	17,500	20,500	28,540	8,040
Total revenues	<u>957,742</u>	<u>1,107,200</u>	<u>1,244,383</u>	<u>137,183</u>
EXPENDITURES				
Current:				
General government:				
Legislative	22,100	24,100	26,345	(2,245)
Judicial	24,900	27,700	30,218	(2,518)
Administration	346,500	314,800	337,019	(22,219)
Legal	7,000	9,000	9,413	(413)
Elections	300	300	102	198
Public safety	85,100	84,700	83,162	1,538
Highways and streets	132,500	100,700	137,131	(36,431)
Sanitation	107,000	110,000	119,181	(9,181)
Shop	5,000	18,000	18,113	(113)
Planning and zoning	10,000	33,000	28,566	4,434
Culture, parks and recreation	183,600	211,240	82,284	128,956
Community development	12,500	13,600	11,127	2,473
Total expenditures	<u>936,500</u>	<u>947,140</u>	<u>882,661</u>	<u>64,479</u>
Excess of revenues over expenditures	<u>21,242</u>	<u>160,060</u>	<u>361,722</u>	<u>201,662</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	60,000	60,000	-
Transfers out	(29,600)	(273,460)	(273,460)	-
Proceeds from capital lease	-	-	44,560	44,560
Principal payments-capital lease	-	-	(15,404)	(15,404)
Total other financing sources and uses	<u>10,400</u>	<u>(213,460)</u>	<u>(184,304)</u>	<u>29,156</u>
Net change in fund balances	<u>31,642</u>	<u>(53,400)</u>	<u>177,418</u>	<u>230,818</u>
Fund balances - beginning	<u>339,749</u>	<u>339,749</u>	<u>339,749</u>	<u>-</u>
Fund balances - ending	<u>\$ 371,391</u>	<u>\$ 286,349</u>	<u>\$ 517,167</u>	<u>\$ 230,818</u>

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	<u>Major Enterprise Funds</u>		<u>Nonmajor</u>	<u>Total Enterprise</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Enterprise</u>	<u>Funds</u>
			<u>Funds</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 164,753	\$ 107,178	\$ -	\$ 271,931
Receivables:				
Accounts	25,869	32,395	-	58,264
Intergovernmental	-	-	-	-
Due from other funds	16,690	-	-	16,690
Total current assets	<u>207,312</u>	<u>139,573</u>	<u>-</u>	<u>346,885</u>
Noncurrent assets:				
Restricted cash, cash equivalents, and investments:				
Revenue bond covenant accounts	61,224	223,530	-	284,754
System development	379,736	938,510	-	1,318,246
Capital assets:				
Land and easements	26,320	239,890	10,000	276,210
Buildings	-	-	314,116	314,116
Improvements other than buildings	2,605,099	8,158,050	18,225	10,781,374
Machinery and equipment	86,038	-	44,560	130,598
Construction in progress	-	-	12,629	12,629
Accumulated depreciation	<u>(660,144)</u>	<u>(489,151)</u>	<u>(90,120)</u>	<u>(1,239,415)</u>
Total noncurrent assets	<u>2,498,273</u>	<u>9,070,829</u>	<u>309,410</u>	<u>11,878,512</u>
Total assets	<u>\$ 2,705,585</u>	<u>\$ 9,210,402</u>	<u>\$ 309,410</u>	<u>\$ 12,225,397</u>

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Enterprise Funds
	Water Fund	Sewer Fund		
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ 47,286	\$ -	\$ 47,286
Accrued payroll liabilities	-	-	-	-
Due to other funds	-	-	16,690	16,690
Capital lease, current portion	-	-	14,310	14,310
Total current liabilities	-	47,286	31,000	78,286
Current liabilities payable from restricted assets:				
Revenue bonds and notes payable	39,013	390,000	22,000	451,013
Accrued interest payable	1,900	-	-	1,900
Total current liabilities payable from restricted assets	40,913	390,000	22,000	452,913
Noncurrent liabilities:				
Capital lease	-	-	14,846	14,846
Revenue bonds and notes payable	599,615	7,349,000	129,000	8,077,615
Total noncurrent liabilities	599,615	7,349,000	143,846	8,092,461
Total liabilities	640,528	7,786,286	196,846	8,623,660
NET ASSETS				
Invested in capital assets, net of related debt	1,418,685	169,789	129,254	1,717,728
Restricted for capital projects	379,736	938,510	-	1,318,246
Restricted for debt service	61,224	223,530	-	284,754
Unrestricted	205,412	92,287	(16,690)	281,009
Total net assets	\$ 2,065,057	\$ 1,424,116	\$ 112,564	\$ 3,601,737

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Major Enterprise Funds</u>		<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>		
Operating revenues:				
Charges for sales and services:				
Water	\$ 410,699	\$ -	\$ -	\$ 410,699
Sewer	-	390,685	-	390,685
Storm drain	-	-	15,184	15,184
Municipal Building Authority	-	-	26,000	26,000
Total operating revenues	<u>410,699</u>	<u>390,685</u>	<u>41,184</u>	<u>842,568</u>
Operating expenses:				
Water	131,241	170,821	-	302,062
Sewer	-	-	-	-
Storm drain	-	-	56	56
Municipal Building Authority	-	-	-	-
Depreciation	55,363	203,683	9,507	268,553
Total operating expenses	<u>186,604</u>	<u>374,504</u>	<u>9,563</u>	<u>570,671</u>
Operating income	<u>224,095</u>	<u>16,181</u>	<u>31,621</u>	<u>271,897</u>
Nonoperating revenues (expenses):				
Impact fees-water	221,491	-	-	221,491
Impact fees-sewer	-	346,250	-	346,250
Intergovernmental	-	-	-	-
Investment earnings	10,762	21,034	-	31,796
Interest and fiscal charges	(21,897)	-	(7,268)	(29,165)
Gain (Loss) on sale of fixed assets	-	-	-	-
Total nonoperating revenue (expenses)	<u>210,356</u>	<u>367,284</u>	<u>(7,268)</u>	<u>570,372</u>
Income before contributions and transfers	<u>434,451</u>	<u>383,465</u>	<u>24,353</u>	<u>842,269</u>
Transfers in	-	1,000	-	1,000
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(1,000)</u>	<u>(61,000)</u>
Change in net assets	<u>404,451</u>	<u>354,465</u>	<u>23,353</u>	<u>782,269</u>
Total net assets - beginning	<u>1,660,606</u>	<u>1,069,651</u>	<u>89,211</u>	<u>2,819,468</u>
Total net assets - ending	<u>\$ 2,065,057</u>	<u>\$ 1,424,116</u>	<u>\$ 112,564</u>	<u>\$ 3,601,737</u>

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Enterprise Funds
	Water Fund	Sewer Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 411,699	\$ 395,312	\$ 41,184	\$ 848,195
Payments to suppliers	(79,944)	(170,349)	(56)	(250,349)
Payments to employees	(51,297)	(33,080)	-	(84,377)
Other receipts	-	-	-	-
Other payments	-	-	-	-
Net cash provided by operating activities	<u>280,458</u>	<u>191,883</u>	<u>41,128</u>	<u>513,469</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Short-term loan (to) from other funds	(16,173)	-	16,173	-
Transfer out to other funds	(30,000)	(29,000)	(1,000)	(60,000)
Net cash provided (used) by noncapital financing activities	<u>(46,173)</u>	<u>(29,000)</u>	<u>15,173</u>	<u>(60,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(222,477)	(159,773)	(57,189)	(439,439)
Intergovernmental grants	-	109,889	-	109,889
Proceeds from capital lease	-	-	44,560	44,560
Payment on capital lease	-	-	(15,404)	(15,404)
Receipts from impact fees	221,491	346,250	-	567,741
Proceeds from bonds and notes payable	-	-	-	-
Payment on revenue bonds and notes payable	(38,274)	-	(21,000)	(59,274)
Interest paid on revenue bonds and notes payable	(26,109)	-	(7,268)	(33,377)
Net cash provided (used) from capital and related financing activities	<u>(65,369)</u>	<u>296,366</u>	<u>(56,301)</u>	<u>174,696</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	10,762	21,034	-	31,796
Net cash provided from investing activities	<u>10,762</u>	<u>21,034</u>	<u>-</u>	<u>31,796</u>
Net increase (decrease) in cash and cash equivalents	179,678	480,283	-	659,961
Cash and cash equivalents beginning of year	426,035	788,935	-	1,214,970
Cash and cash equivalents end of year	<u>\$ 605,713</u>	<u>\$ 1,269,218</u>	<u>\$ -</u>	<u>\$ 1,874,931</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	\$ 224,095	\$ 16,181	31,621	\$ 271,897
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	55,363	203,683	9,507	268,553
Change in assets and liabilities:				
Accounts receivable	1,000	4,627	-	5,627
Accounts payable	-	(32,608)	-	(32,608)
Deposits payable	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 280,458</u>	<u>\$ 191,883</u>	<u>\$ 41,128</u>	<u>\$ 513,469</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY CORPORATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUSTICE COURT AGENCY FUND
JUNE 30, 2005

ASSETS

Cash and cash equivalents
Total assets

\$	6,131
<hr/>	
\$	6,131
<hr/>	

LIABILITIES

Due to other governments
Total liabilities

\$	6,131
<hr/>	
\$	6,131
<hr/>	

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and streets, water, sewer, sanitation, culture, parks, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of Nibley City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statements include all funds and blended component units, which collectively are referred to as the financial reporting entity of the City. The Municipal Building Authority of Nibley City is considered to be a component unit of the City. No other entities were determined to be component units of the City.

Blended component units. The Municipal Building Authority of Nibley City is governed by a six-member board who are the mayor and city council members. Its sole purpose is to finance and construct the City's public facilities. The financial statements of the Municipal Building Authority are included in the accompanying financial statements as a blended component unit.

B. Government-wide and Fund Financial Statements

Government-wide Financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

Fund Financial Statements. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining enterprise funds are combined into a single column and reported as other (nonmajor) funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. **Basis of accounting** relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days, and therefore do not meet the "available" criterion, are reported as deferred revenue until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, restaurant taxes, and transient room taxes, are considered "measurable" and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

The City reports the following major governmental funds:

General Fund---The General Fund accounts for all activities not accounted for by other funds of the City. The principal sources of revenue for this fund are taxes, charges for services and impact fees.

Capital Project Fund---The Capital Project Fund is used to account for the acquisition or construction of fixed assets. In this instance, it is used to account for the highways and streets and park development.

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary Fund Financial Statements. Proprietary funds include enterprise funds. Enterprise funds report the activities for which a fee is charged to external users for goods or services. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

The City reports the following major proprietary funds:

Water Fund - the water fund is used to account for revenue and expenses for water services.

Sewer Fund - the sewer fund is used to account for revenue and expenses for sewer services.

The City's nonmajor proprietary funds are the municipal building authority fund and the storm drain fund. The municipal building authority fund accounts for the general buildings and land owned by the component unit and used by the City. The storm drain fund accounts for funds charged to citizens for storm drain construction and operations.

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

The City operates within the budget requirements for Cities as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled council meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments within the general fund; however, any transfer of budgeted amounts between departments within the general fund must be approved by the City Council. The City must hold a public hearing to alter the total expenditures of the general fund.
5. Budgeted amounts are as originally adopted, or as amended by the City Council prior to June 30. Individual amendments were not material in relation to the original appropriations which were amended.

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the City Treasurer and City Recorder in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Statements of cash flows are presented for proprietary funds under the direct method. For purposes of the statements of cash flows, each fund's allocated portion of pooled cash and investments is considered to be cash and cash equivalents, since this amount is immediately available for use by the fund.

F. Interfund transactions

Interfund transactions represent transactions between different funds within the City. In general, interfund activity has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

G. Private-sector Standards of Accounting and Financial Reporting

The City generally applies to both the government-wide and proprietary fund statements all *Financial Accounting Standards Board (FASB)* Statements and Interpretations, APB Opinions, and Accounting Research bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board (GASB)*. The City has elected not to follow private-sector guidance subsequent to that date.

H. Capital Assets

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure (roads, bridges, lighting and sidewalks) and construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$1,000; real property thresholds vary by type of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized. Interest on assets being readied for service in proprietary funds is capitalized. During 2005, no interest was capitalized.

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital assets (continued)

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Infrastructure	20-40 years

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned vacation but to use it before year end. An estimate of vacation pay is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

J. Long-term liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

L. Property Taxes

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on June 22 for the next fiscal year beginning July 1 and are due November 30. City property tax revenue are not recognized when levied, because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 2. RECEIVABLES

Receivables at June 30, 2005, consist of the following:

	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 19,749	\$ 21,754	\$ 25,667	\$ 67,170
Total receivables	<u>\$ 19,749</u>	<u>\$ 21,754</u>	<u>\$ 25,667</u>	<u>\$ 67,170</u>
Business-type activities:				
Water Fund	\$ -	\$ -	\$ 25,869	\$ 25,869
Sewer Fund	-	-	32,395	32,395
Total receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,264</u>	<u>\$ 58,264</u>

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 1,251,143	\$ 10,000	\$ -	\$ 1,261,143
Construction in progress	16,183	52,541	-	68,724
Total capital assets not being depreciated	<u>1,267,326</u>	<u>62,541</u>	<u>-</u>	<u>1,329,867</u>
Capital assets being depreciated:				
Buildings	-	-	-	-
Improvements	210,173	66,312	-	276,485
Machinery and equipment	183,458	49,202	-	232,660
Infrastructure	4,369,801	-	-	4,369,801
Total capital assets being depreciated	<u>4,763,432</u>	<u>115,514</u>	<u>-</u>	<u>4,878,946</u>
Less accumulated depreciation				
Buildings	-	-	-	-
Improvements	(54,569)	(15,499)	-	(70,068)
Machinery and equipment	(151,153)	(17,311)	-	(168,464)
Infrastructure	(1,165,427)	(227,446)	-	(1,392,873)
Total accumulated depreciation	<u>(1,371,149)</u>	<u>(260,256)</u>	<u>-</u>	<u>(1,631,405)</u>
Total capital assets being depreciated, net	<u>3,392,283</u>	<u>(144,742)</u>	<u>-</u>	<u>3,247,541</u>
Governmental activity capital assets, net	<u>\$ 4,659,609</u>	<u>\$ (82,201)</u>	<u>\$ -</u>	<u>\$ 4,577,408</u>

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 3. CAPITAL ASSETS (Continued)

Business-type activities:

Capital assets not being depreciated:

Land and easements	\$ 139,114	\$ 137,096	\$ -	\$ 276,210
Construction in progress	494,576	12,629	(494,576)	12,629
Total assets not being depreciated	<u>633,690</u>	<u>149,725</u>	<u>(494,576)</u>	<u>288,839</u>

Capital assets being depreciated:

Buildings	314,116	-	-	314,116
Improvements	10,041,644	739,730	-	10,781,374
Machinery and equipment	86,038	44,560	-	130,598
Total capital assets being depreciated	<u>10,441,798</u>	<u>784,290</u>	<u>-</u>	<u>11,226,088</u>

Less accumulated depreciation

Buildings	(73,323)	(7,853)	-	(81,176)
Improvements	(841,975)	(254,598)	-	(1,096,573)
Machinery and equipment	(55,564)	(6,102)	-	(61,666)
Total accumulated depreciation	<u>(970,862)</u>	<u>(268,553)</u>	<u>-</u>	<u>(1,239,415)</u>

Total capital assets being depreciated, net	<u>9,470,936</u>	<u>515,737</u>	<u>-</u>	<u>9,986,673</u>
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Business-type capital assets, net	<u>\$ 10,104,626</u>	<u>\$ 665,462</u>	<u>\$ (494,576)</u>	<u>\$ 10,275,512</u>
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Depreciation expense was charged to functions as follows:

Governmental activities:

Highways and streets	\$ 232,125
Culture, parks and recreation	28,131
Total depreciation expense - governmental activities	<u>\$ 260,256</u>

Business-type activities:

Water	\$ 55,363
Sewer	203,683
Municipal Building	8,764
Storm Drain	743
Total depreciation expense - business-type activities	<u>\$ 268,553</u>

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4. RETIREMENT PLANS

Plan Description. The City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Noncontributory Retirement System for June 30, 2005, 2004, and 2003 were \$25,280, \$19,927, and \$13,708 respectively.

The City also sponsors a 401-K deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$4,800 to this plan during the year ended June 30, 2005, and the employees contributed \$600.

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5. LONG-TERM AND SHORT-TERM OBLIGATIONS

The City has the following long-term obligations at June 30, 2005.

In 2002, the City issued \$210,000 Municipal Building Authority Lease Revenue Bonds to finance the purchase of land and construction of the City offices. The bonds are to be repaid from the annual lease proceeds of the Authority. The facilities are leased to the City. The bonds mature on January 15, 2011, and bear interest at a rate of 4.5%. Payments are due annually. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	\$ 22,000	\$ 6,795	\$ 30,801	4.50%
2007	23,000	5,805	30,812	4.50%
2008	24,000	4,770	30,778	4.50%
2009	25,000	3,690	30,699	4.50%
2010	26,000	2,565	30,575	4.50%
2011	31,000	1,395	34,406	4.50%
	<u>\$ 151,000</u>	<u>\$ 25,020</u>	<u>\$ 188,071</u>	

In 2002, the City issued \$125,000 in Water Revenue Bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated March 1, 2002, and mature on March 1, 2017, and bear interest at a rate of 5.00%. Payments are monthly. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	\$ 6,693	\$ 5,349	\$ 12,042	5.00%
2007	7,041	5,001	12,042	5.00%
2008	7,393	4,649	12,042	5.00%
2009	7,763	4,279	12,042	5.00%
2010	8,151	3,891	12,042	5.00%
2011	8,559	3,483	12,042	5.00%
2012	8,986	3,056	12,042	5.00%
2013	9,436	2,606	12,042	5.00%
2014	9,908	2,134	12,042	5.00%
2015	10,403	1,639	12,042	5.00%
2016	10,923	1,119	12,042	5.00%
2017	11,482	560	12,042	5.00%
	<u>\$ 106,738</u>	<u>\$ 37,766</u>	<u>\$ 144,504</u>	

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5. LONG-TERM AND SHORT TERM OBLIGATIONS (Continued)

In 1992, the City issued \$350,000 in Water Refunding and Revenue Bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated January, 1992, and mature on January 1, 2011, with annual payments plus interest at a rate of 0%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	\$ 23,000	\$ -	\$ 25,006	0.00%
2007	23,000	-	25,007	0.00%
2008	23,000	-	25,008	0.00%
2009	23,000	-	25,009	0.00%
2010	23,000	-	25,010	0.00%
2011	8,000	-	10,011	0.00%
	<u>\$ 123,000</u>	<u>\$ -</u>	<u>\$ 135,051</u>	

In 1981, the City issued \$125,000 in Water Revenue Notes to finance water construction. The notes are to be repaid from water sales from the utility fund. The notes were dated July 13, 1981, annual payments of \$7,285, mature on July 13, 2021, and bear interest at a rate of 5.00%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	\$ 3,338	\$ 3,947	\$ 7,285	5.00%
2007	3,505	3,780	7,285	5.00%
2008	3,680	3,605	7,285	5.00%
2009	3,864	3,421	7,285	5.00%
2010	4,057	3,228	7,285	5.00%
2011	4,260	3,025	7,285	5.00%
2012	4,473	2,812	7,285	5.00%
2013	4,697	2,588	7,285	5.00%
2014	4,932	2,353	7,285	5.00%
2015	5,178	2,107	7,285	5.00%
2016	5,437	1,848	7,285	5.00%
2017	5,709	1,576	7,285	5.00%
2018	5,995	1,290	7,285	5.00%
2019	6,294	991	7,285	5.00%
2020	6,609	676	7,285	5.00%
2021	6,912	373	7,285	5.00%
	<u>\$ 78,940</u>	<u>\$ 37,620</u>	<u>\$ 116,560</u>	

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5. LONG-TERM AND SHORT TERM OBLIGATIONS (Continued)

In 1981, the City issued \$136,000 in Water Revenue Notes to finance water construction. The notes are to be repaid from water sales from the utility fund. The notes were dated July 13, 1981, mature on July 13, 2021, with monthly payments of \$657 including interest at a rate of 5.00%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	\$ 3,624	\$ 4,260	\$ 7,884	5.00%
2007	3,810	4,074	7,884	5.00%
2008	4,005	3,879	7,884	5.00%
2009	4,209	3,675	7,884	5.00%
2010	4,425	3,459	7,884	5.00%
2011	4,651	3,233	7,884	5.00%
2012	4,889	2,995	7,884	5.00%
2013	5,139	2,745	7,884	5.00%
2014	5,402	2,482	7,884	5.00%
2015	5,679	2,205	7,884	5.00%
2016	5,969	1,915	7,884	5.00%
2017	6,275	1,609	7,884	5.00%
2018	6,596	1,288	7,884	5.00%
2019	6,933	951	7,884	5.00%
2020	7,288	596	7,884	5.00%
2021	7,642	242	7,884	5.00%
	<u>\$ 86,536</u>	<u>\$ 39,608</u>	<u>\$ 126,144</u>	

In 2002, the City issued \$249,000 in Parity Water Revenue Bonds to finance water construction. The bonds are to be repaid from water sales from the utility fund. The notes were dated 2002, mature October 2042, with monthly payments of \$1,181 including interest at a rate of 4.875%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	\$ 2,358	\$ 11,814	\$ 14,172	4.875%
2007	2,475	11,697	14,172	4.875%
2008	2,599	11,573	14,172	4.875%
2009	2,728	11,444	14,172	4.875%
2010	2,864	11,308	14,172	4.875%
2011-2015	16,611	54,249	70,860	4.875%
2016-2020	21,186	49,674	70,860	4.875%
2021-2025	27,020	43,840	70,860	4.875%
2026-2030	33,953	36,907	70,860	4.875%
2031-2035	43,952	26,908	70,860	4.875%
2036-2040	56,056	14,804	70,860	4.875%
2041-2042	31,612	373	40,154	4.875%
	<u>\$ 243,414</u>	<u>\$ 284,591</u>	<u>\$ 536,174</u>	

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5. LONG-TERM AND SHORT TERM OBLIGATIONS (Continued)

In 2004, the City issued \$7,739,000 in Taxable Sewer Revenue and Refunding Bonds to finance the construction of a sewer system that collects sewer and delivers it to the Logan City treatment plant. The bonds are to be repaid from sewer sales from the sewer utility fund. The bonds mature May 1, 2034, with annual payments varying from \$190,000-\$455,000, including interest at a rate of 0%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	\$ 390,000	\$ -	\$ 390,000	0.0%
2007	200,000	-	200,000	0.0%
2008	200,000	-	200,000	0.0%
2009	205,000	-	205,000	0.0%
2010	205,000	-	205,000	0.0%
2011-2015	1,065,000	-	1,065,000	0.0%
2016-2020	1,255,000	-	1,255,000	0.0%
2021-2025	1,320,000	-	1,320,000	0.0%
2026-2030	1,390,000	-	1,390,000	0.0%
2031-2034	1,509,000	-	1,509,000	0.0%
	<u>\$ 7,739,000</u>	<u>\$ -</u>	<u>\$ 7,739,000</u>	

The City entered into a capital lease arrangement for financing the acquisition of equipment which is recorded 50% in the General Fund and 50% in the Storm Drain Fund. The capital lease has been recorded at the present value of the future minimum lease payments. The equipment recorded under the lease has a purchase price of \$89,120 and accumulated depreciation of \$1,486, for a net carrying value of \$87,634, at June 30, 2005. The current year depreciation expense was \$1,486.

The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at June 30, 2005.

Year	General	Storm Drain	Total
2006	\$ 15,403	\$ 15,404	\$ 30,807
2007	15,404	15,403	30,807
Total minimum lease payments	30,807	30,807	61,614
Less amount representing interest	(1,650)	(1,651)	(3,301)
Present value of future minimum lease payments	<u>\$ 29,157</u>	<u>\$ 29,156</u>	<u>\$ 58,313</u>

Transactions affecting long-term obligations are as follows:

Business-type	Bonds Payable	Notes Payable	Capital Lease	Total
Balance, July 1	\$ 8,415,784	\$ 172,118	\$ -	\$ 8,587,902
Additions	-	-	89,120	89,120
Retirements	(52,632)	(6,642)	(30,807)	(90,081)
Balance, June 30	<u>\$ 8,363,152</u>	<u>\$ 165,476</u>	<u>\$ 58,313</u>	<u>\$ 8,586,941</u>
Due within 1 year	<u>\$ 444,051</u>	<u>\$ 6,962</u>	<u>\$ 28,620</u>	<u>\$ 479,633</u>

**NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 6. SHORT-TERM DEBT

The only short-term debt the City had during the year ended June 30, 2005, was interfund loans totaling \$16,690. See Note 13 for the detail regarding these interfund loans.

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds and/or departments had expenditures in excess of budget:

	Actual	Budget	Excess
General Fund:			
Legislative	\$ 26,345	\$ 24,100	\$ (2,245)
Judicial	\$ 30,218	\$ 27,700	\$ (2,518)
Administration	\$ 337,019	\$ 314,800	\$ (22,219)
Legal	\$ 9,413	\$ 9,000	\$ (413)
Highways and streets	\$ 137,131	\$ 100,700	\$ (36,431)
Sanitation	\$ 119,181	\$ 110,000	\$ (9,181)
Shop	\$ 18,113	\$ 18,000	\$ (113)

There were no fund deficits at June 30, 2005.

NOTE 8. CASH AND INVESTMENTS

The City maintains a Deposit and Investment Pool that is available for use by all funds of the City.

Deposits

At June 30, 2005, the carrying amount of the City deposits was \$778,602 and the bank balance was \$983,383. Of the bank balance, \$100,000 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations.

Investments

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 8. CASH AND INVESTMENTS (Continued)

The City's investment types and balances at June 30, 2005, are noted below.

Investment Type	Maturity	Rating	Fair Value
Certificates of deposit	Annually	N/A	\$ 900,000
Utah Public Treasurer's Investment Fund	N/A	Not rated	1,500,330
Total investments			\$ 2,400,330
Deposits-cash in bank			778,602
Total cash and investments			\$ 3,178,932
 As reported in the			
Cash and cash equivalents			\$ 1,283,551
Restricted cash and cash equivalents			1,889,250
Cash and cash equivalents-Fiduciary Fund			6,131
			\$ 3,178,932

The City does not have a formal investment policy. The City, however, invests the majority of the excess funds in certificates of deposit and the Utah Public Treasurer's Investment Fund (UPTIF). The UPTIF permits the City to withdraw funds one day after giving withdrawal notification.

The custodial risk for investments is the risk that in the event of default or failure of the counterparty, the City will not recover the value of its investment or collateral securities that are in the possession of an outside party. A portion of the City's certificates of deposit are uninsured and uncollateralized investments. The City has no formal policy dealing with custodial credit risk.

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of fund shares.

NIBLEY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 9. SEGMENT INFORMATION FOR ENTERPRISE FUND

The City maintains a Water Utility Fund and a Sewer Utility Fund which provide water and sewer related services. Segment information for the year ended June 30, 2005, was as follows:

	Water	Sewer	Total
Assets:			
Due from other funds	\$ 16,690	\$ -	\$ 16,690
Current assets	190,622	139,573	330,195
Capital assets	2,057,313	7,908,789	9,966,102
Other assets	440,960	1,162,040	1,603,000
Total assets	<u>\$ 2,705,585</u>	<u>\$ 9,210,402</u>	<u>\$ 11,915,987</u>
Liabilities:			
Current liabilities	\$ 40,913	\$ 437,286	\$ 478,199
Due to other funds	-	-	-
Non-current liabilities	599,615	7,349,000	7,948,615
Total liabilities	<u>\$ 640,528</u>	<u>\$ 7,786,286</u>	<u>\$ 8,426,814</u>
Net assets:			
Investment in capital assets, net of related debt	\$ 1,418,685	\$ 169,789	\$ 1,588,474
Restricted for debt service	61,224	223,530	284,754
Restricted for development	379,736	938,510	1,318,246
Unrestricted	205,412	92,287	297,699
Total net assets	<u>\$ 2,065,057</u>	<u>\$ 1,424,116</u>	<u>\$ 3,489,173</u>
Operating revenues:			
Charges for service	\$ 410,699	\$ 390,685	\$ 801,384
Grants and contributions	-	-	-
Operating expenses, excluding depreciation	(131,241)	(170,821)	(302,062)
Depreciation	(55,363)	(203,683)	(259,046)
Operating income	224,095	16,181	240,276
Non-operating revenues:			
Interest expense	(21,897)	-	(21,897)
Impact fees	221,491	346,250	567,741
Intergovernmental	-	-	-
Interest income	10,762	21,034	31,796
Operating transfer in (out)	(30,000)	(29,000)	(59,000)
Change in net assets	404,451	354,465	758,916
Beginning net assets	1,660,606	1,069,651	2,730,257
Ending net assets	<u>\$ 2,065,057</u>	<u>\$ 1,424,116</u>	<u>\$ 3,489,173</u>

NIBLEY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 10. PUBLIC UTILITY FUND

At June 30, 2005, the City had 949 water connections and 949 sewer connections. During the year, 168 new water and 179 new sewer connections were made. The City had no outstanding work orders for connections at June 30, 2005.

NOTE 11. SUMMARY OF INSURANCE

<u>Description of insurance</u>	<u>Insurer</u>	<u>Expiration Date</u>	<u>Amount</u>
Comprehensive general liability	Utah Local Government Trust	8/5/2005	\$ 5,000,000
Errors and omissions	Utah Local Government Trust	8/5/2005	\$ 5,000,000
Automobiles - liability	Utah Local Government Trust	8/5/2005	\$ 6,000,000
Fire: buildings and contents	Utah Local Government Trust	8/5/2005	\$ 633,400
Public Officials Treasurer bond	Utah Local Government Trust	4/1/2006	\$ 100,000

NOTE 12. RECONCILIATION OF INTERFUND BALANCES

The following table provides a reconciliation of all interfund transfers:

<u>Transfer to:</u>		<u>Transfer from:</u>	
Capital Project Fund	\$ 273,460	General Fund	\$ 273,460
General Fund	\$ 30,000	Water Fund	\$ 30,000
General Fund	\$ 30,000	Sewer Fund	\$ 30,000
Sewer Fund	1,000	Storm Drain Fund	1,000
	<u>\$ 334,460</u>		<u>\$ 334,460</u>

The transfer from the General Fund to the Capital Project Fund was for highways and streets and to transfer library funding.

The transfer from the Water Fund and Sewer Fund to the General Fund was for operating capital.

The transfer from the Storm Drain Fund to the Sewer Fund was to fund capital items.

The due to/due from is to cover a short-term cash deficit.

Municipal Building Authority:

Due to Water Fund \$ 2,784

Storm Drain Fund:

Due to Water Fund 13,906

Total Due to other funds \$ 16,690

Water Fund:

Due from Municipal Building Authority Fund \$ 2,784

Due from Storm Drain Fund 13,906

Total Due from other funds \$ 16,690

NIBLEY CITY CORPORATION
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 4,683	\$ 4,683
Restaurant tax grant	-	-	-	-
Total revenues	-	-	4,683	4,683
EXPENDITURES				
Current:				
Highways and streets	29,600	101,964	100,672	1,292
Culture, parks and recreation	-	50,059	31,715	18,344
Total expenditures	29,600	152,023	132,387	19,636
Excess of revenues over expenditures	(29,600)	(152,023)	(127,704)	24,319
OTHER FINANCING SOURCES (USES)				
Transfers in	29,600	273,460	273,460	-
Transfers out	-	-	-	-
Total other financing sources and uses	29,600	273,460	273,460	-
Net change in fund balances	-	121,437	145,756	24,319
Fund balances - beginning	577,770	577,770	577,770	-
Fund balances - ending	\$ 577,770	\$ 699,207	\$ 723,526	24,319

The notes to the financial statements are an integral part of this statement.

NIBLEY CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

NIBLEY CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Mayor & City Council
Nibley City Corporation

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Nibley City Corporation as of and for the year ended June 30, 2005, which collectively comprise Nibley City Corporation's basic financial statements and have issued our report thereon dated November 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nibley City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters which are included in the accompanying Schedule of Findings, Recommendations and Responses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nibley City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in the accompanying Schedule of Findings, Recommendations and Responses.

This report is intended solely for the information and use of Nibley City Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co., PC

Brigham City, Utah 84302

November 23, 2005

INDEPENDENT AUDITORS' REPORT ON
STATE OF UTAH LEGAL COMPLIANCE

To the Mayor & City Council
Nibley City Corporation

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Nibley City Corporation as of and for the year ended June 30, 2005, and have issued our report thereon dated November 23, 2005. As part of our audit, we have audited Nibley City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah.

B & C Road Funds (Department of Transportation)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation & Property Tax Limitations
Justice Courts Compliance
Impact Fees
Other General Requirements

The management of Nibley City Corporation is responsible for the City's compliance identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which we have reported to the management of Nibley City Corporation in the Schedule of Findings, Recommendations and Responses for the year ended June 30, 2005. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Nibley City Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Wiggins & Co., PC

Brigham City, Utah
November 23, 2005

NIBLEY CITY CORPORATION
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2005

STATE LEGAL COMPLIANCE FINDINGS

1. TRUTH IN TAXATION

Finding:

During review of the minutes and through inquiry of management, we found that the City did not formally adopt their certified tax rate. It was management's understanding that they only needed to do this if the rate was being raised.

Recommendation:

This is a continuing finding. We recommend that the City adopt the certified tax rate each year, regardless of changes, per Utah law. We also recommend that the City advertise the tax rate hearing to comply with state statute.

Response:

Management agrees with this recommendation however we do not believe the hearing is required if the rate is not raised.

2. BUDGETARY COMPLIANCE

Finding:

Utah Code Section 10-6 states that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department. We noted the following departments were over budget:

- Legislative
- Judicial
- Administration
- Legal
- Highways and streets
- Sanitation
- Shop

**NIBLEY CITY CORPORATION
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2005**

3. BUDGETARY COMPLIANCE (continued)

Recommendation:

We recommend that the City monitor expenditures and make necessary budgetary changes when appropriate.

Response:

Management agrees.

4. OTHER GENERAL COMPLIANCE ISSUES

Finding:

Utah Code section 10-6-116(2) states that the maximum in the general fund balance may not exceed 18% of the total estimated revenue of the general fund. We noted that the general fund balance of Nibley City exceeds this allowance.

Recommendation:

We recommend that the City take measures to reduce the general fund balance to the required parameters.

Response:

Management agrees, however, there are extenuating circumstances in trying to estimate the final budget balances in a timely manner for the Council to act on them before the end of the budget year. It has been management practice to err on the side of having too large of a fund balance than too small of one!

**NIBLEY CITY CORPORATION
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2005**

INTERNAL CONTROL FINDINGS

1. PAYROLL

Finding:

While reviewing the payroll files during internal control testing, we noted that I-9's were not maintained on some City employees. Federal labor laws require that the City obtain Form I-9 with appropriate documentation for any employee hired after 1987.

Recommendation:

This is a continuing finding. We recommend that the City obtain the appropriate documentation from all current employees as well as having the documentation in place at the point of hire for all future employees.

Response:

I-9's are not maintained only for elected and commission personnel, being elected by the citizens of the City they are arguably not required.

2. JOURNAL ENTRIES

Finding:

While testing journal entries we became aware that the City does maintain some supporting documentation for journal entries. When possible, all journal entries should be reviewed and approved by someone other than the preparer. In order to facilitate this, the mayor or an appointed council member may have to be involved.

**NIBLEY CITY CORPORATION
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2005**

Recommendation:

This is a continuing finding. We recommend that the City use a formal journal entry form that would have specific areas for the appropriate approvals. We recommend that the City maintain supporting documentation and attach it to all journal entries. This will provide the documentation necessary to establish the approvals, evaluate the propriety of the journal entry and enhance internal controls in this area.

Response:

Management agrees and started it last year but lapsed into old ways.

3. CAPITALIZATION POLICY

Finding:

The City does not currently have a formal (written) capitalization policy outlining threshold amounts for the capitalization of fixed assets.

Recommendation:

This is a continuing finding. We recommend that the City adopt formal policies regarding a useful life table and capitalization policy for fixed asset accounting.

Response:

Management agrees.

4. ACCOUNTING SYSTEMS

Finding:

During testing, we noted that the City currently uses two accounting systems. The City Recorder produces checks from QuickBooks and then duplicates his efforts by re-entering all data into the Caselle system, which is the software the City uses to maintain its general ledger. This seems to be a duplication of effort.

NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005

4. ACCOUNTING SYSTEMS (continued)

Recommendation:

This is a continuing finding. We recommend that the City consider obtaining, from Caselle, the accounts payable and cash disbursement modules, which will interface with the present general ledger software and eliminate the use of QuickBooks. Any cost to the City should be recouped in time savings by not having to re-enter all of the disbursements. This would free up some time for the City Recorder to work on other issues.

Response:

Response is the same as last year; in an attempt to save money we have not purchased the Caselle software . . . maybe it is time to do so.

5. RETURNED CHECKS

Finding:

While reviewing the pooled cash account, we noted that the reconciliation included returned checks from consumers that required follow-up action and/or re-depositing. The returned check listing appeared to have items included that should have been adjusted out of the reconciliation.

Recommendation:

We recommend that a reconciliation of returned checks be performed and that returned checks be re-deposited timely. The existing outstanding checks should be reviewed and collected or written off. The City should adopt a formal policy to deal with consumer accounts and returned checks.

Response:

Management agrees.

NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005

STATE LEGAL COMPLIANCE FINDINGS

1. RECORDS RETENTION

Finding:

During testing, we noted that the City has accounts payable records and bank statements dating back to at least Fiscal Year 1998. According to state law, the City only needs to keep these records for four years.

Recommendation:

We recommend that the City destroy their accounts payable records and bank statements up through Fiscal Year 2000.

Status:

Management has made progress on this recommendation.

2. Finding:

During review of the minutes and through inquiry of management, we found that the City did not formally adopt their certified tax rate. It was management's understanding that they only needed to do this if the rate was being raised.

Recommendation:

We recommend that the City adopt the certified tax rate each year, regardless of changes, per Utah law. We also recommend that the City advertise the tax rate hearing to comply with state statute.

Status:

Not implemented. See current year findings.

**NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005**

3. JUSTICE COURT

Finding:

During testing, we noted that the City's justice court funds are currently deposited into the same main cash account that the City employs. Presently, the court clerk prepares a deposit report and gives it to one of the city clerks to take to the bank for deposit. The city clerk prints a receipt for the justice court clerk before the funds are taken to the bank. During testing, we also noted that there were some months where the justice court deposit report did not match the deposit receipts received from the City.

Recommendation:

We recommend that the City institute a separate bank account for the justice court funds. Setting up a separate bank account would eliminate the problems noted above. We also recommend that the City insure that the court reports are being reconciled monthly to comply with state statute.

Status:

This was implemented December 1, 2004.

INTERNAL CONTROL FINDINGS

1. STORAGE OF FILES

Finding:

The City currently keeps the backup for cash disbursements, including payroll check stub detail (with SSN, name and address) unlocked in the men's bathroom. With the amount of identity fraud currently taking place this is not a secure location.

Recommendation:

We recommend that the City move this filing cabinet, or its contents, to a secure location.

**NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005**

1. STORAGE OF FILES (continued)

Status:

Implemented.

2. SIGNING OF CHECKS

Finding:

During testing, we noted three instances in our cash disbursements/payroll sample where there was only one signature on the check.

Recommendation:

We recommend that the city authorize the City Recorder as an approved signer of checks and request that the mayor or a city councilperson review the invoices and initial approval on the check register. This review should occur on a weekly basis.

Status:

Implemented.

3. PETTY CASH

Finding:

We found that, during 2004 the petty cash balance ranged from \$40-\$120 and was not reconciled consistently. Petty cash should be balanced and reconciled each time a reimbursement is made. The petty cash amount should remain consistent.

Recommendation:

We recommend that the City maintain a more consistent balance in their petty cash account and that the City personnel reconcile the petty cash account to the authorized amount.

NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005

3. **PETTY CASH (continued)**

Status:

Implemented.

4. **VOID CHECKS**

Finding:

Through our testing, we found that not all void checks have been retained.

Recommendation:

We recommend that the City retain all voided checks to account for the numerical sequence of the check stock and to ensure that all items are properly recorded in the accounts of the City.

Status:

Implemented.

5. **UTILITY BILL CREDITS**

Finding:

We noted during testing, that the City only requires the approval of one individual to authorize credits to residents' utility bills. This is a one-time credit only and subsequent credits must be approved through the City Council. One of the checks in our disbursement sample containing only one signature was a credit check issued to a former resident, which was signed by the person approving the credit to the utility bill.

Recommendation:

We recommend that the City require the review and approval of at least two employees before crediting residents' utility bills.

**NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005**

5. UTILITY BILL CREDITS (continued)

Status:

Management has made progress on this recommendation.

6. UTILITY BILLING SEGREGATION OF DUTIES

Finding:

During testing, we became aware that the City allows employees to take the City's billing invoices home to prepare them for mailing. It was also noted that the only meter reader the City employs is directly related to the City employee who prepares the City's billings.

Recommendation:

We recommend that the City require the utility billings to be prepared at the City office (including stuffing the envelopes). We also recommend that oversight responsibility of the meter reader be given to an unrelated supervisor.

Status:

Implemented.

7. OUTSTANDING CHECKS

Finding:

During testing, we noted that there were a number of checks outstanding that were nearly a year old.

Recommendation:

We recommend that City personnel follow up on these checks and if necessary, void them and include them in the next filing to the State Unclaimed Property Division.

**NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005**

7. OUTSTANDING CHECKS (continued)

Status:

Management has made progress on this recommendation.

8. BACKUP DOCUMENTATION ON CASH DISBURSEMENTS

Finding:

During testing, we noted in many instances the only backup the City maintained for a disbursement was a "post-it" note and in some cases the only backup documentation was the stub from the check.

Recommendation:

We recommend that the City require someone to review, approve and note the approval by an initial on all invoices and supporting documentation to evidence approval that an item has been authorized for payment. We also recommend that all disbursements be supported by written documentation. It may be a good idea for the City to create a request for payment form for those items that may not have vendor invoices or other supporting documents such as expense reimbursements. This form should detail what the reimbursement is for, have receipts attached, when necessary, and have an area for the supervisor to note their review and approval.

Status:

Management has made progress on this recommendation; however, there is a continuing need to improve the documentation of the payment approval process.

9. TIMESHEETS

Finding:

During testing, we noted several instances where City employees only had a "post-it" note containing the number of hours worked as supporting documentation.

**NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005**

9. TIMESHEETS (continued)

Recommendation:

We recommend that all City employees be required to maintain a timesheet. We also recommend that all timesheets be approved and initialed by their supervisor as evidence to their accuracy.

Status:

Implemented.

10. PAYROLL

Finding:

While reviewing the payroll files during internal control testing, we noted that I-9's were not maintained on any City employees. Federal labor laws require that the City obtain Form I-9 with appropriate documentation for any employee hired after 1987.

Recommendation:

We recommend that the City obtain the appropriate documentation from all current employees as well as having the documentation in place at the point of hire for all future employees.

Status:

Not implemented. See current year findings.

11. PERSONNEL FILES

Finding:

During testing, we noted that the City currently does not maintain individual personnel files for their employees.

**NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005**

11. PERSONNEL FILES (continued)

Recommendation:

We recommend that the City begin to maintain personnel files for all City employees. These files should be stored in a secure area and include payroll related items such as W-4 forms, I-9 forms, documentation of the pay rate and any other information that the management may consider necessary.

Status:

Implemented.

12. COMP TIME

Finding:

Through the testing of payroll, we noted instances where the number of hours on an individual's timesheet did not equal the number of hours that the individual was paid. Through inquiry it was discovered that the employee had substituted overtime hours shown on the timesheet for comp time, yet there was no evidence that the individual was going to do this or how many hours of their overtime went towards their comp time.

Recommendation:

We recommend that the City have timesheets initialed by the proper supervisor if comp time is being substituted for overtime hours. The calculation, including the number of hours being given up and the number of comp hours being used should be documented on these timesheets, also.

Status:

Implemented.

NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005

13. JOURNAL ENTRIES

Finding:

While testing journal entries we became aware that the City does not maintain supporting documentation for journal entries. When possible, all journal entries should be reviewed and approved by someone other than the preparer. In order to facilitate this, the mayor or an appointed council member may have to be involved.

Recommendation:

We recommend that the City maintain supporting documentation on all journal entries. This will provide the documentation necessary to evaluate the propriety of the journal entry and enhance internal controls in this area.

Status:

Not implemented. See current year findings.

14. CAPITALIZATION POLICY

Finding:

The City does not currently have a formal (written) capitalization policy outlining threshold amounts for the capitalization of fixed assets.

Recommendation:

We recommend that the City adopt formal policies regarding a useful life table and capitalization policy for fixed asset accounting.

Status:

Not implemented. See current year findings.

NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005

15. ACCOUNTING SYSTEMS

Finding:

During testing, we noted that the City currently uses two accounting systems. The City Recorder produces checks from QuickBooks and then duplicates his efforts by re-entering all data into the Caselle system, which is the software the City uses to maintain its general ledger. This seems to be a duplication of effort.

Recommendation:

We recommend that the City consider obtaining, from Caselle, the accounts payable and cash disbursement modules, which will interface with the present general ledger software and eliminate the use of QuickBooks. Any cost to the City should be recouped in time savings by not having to re-enter all of the disbursements. This would free up some time for the City Recorder to work on other issues.

Status:

Not implemented. See current year findings.

16. SERVICE STATION CHARGE ACCOUNT

Finding:

During testing, we found that the City maintains an open charge account at the local Sinclair station where any employee can charge fuel or supplies to Nibley City Corporation. It is our understanding that the charge slips currently show the day that the fuel is charged.

Recommendation:

We recommend that the City ask the service station to document the time of day gas charges are made and include the vehicle description on the charges signed for. Implementing these controls would provide the City with the necessary documentation to ensure that City assets are spent properly.

**NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005**

16. SERVICE STATION CHARGE ACCOUNT (continued)

Status:

Implemented.

17. CITY CREDIT CARD

Finding:

The City currently uses a credit card with a \$10,000 limit for purchases. We found a few instances where there were no receipts for purchases made with the card.

Recommendation:

We recommend that the City require all receipts from the use of the City credit card be turned in with written explanations of the purpose of the expenditures. Also the City should require the supervisor who reviews the card detail every month initial their approval on the card statement.

Status:

Implemented.

18. CASH IN THE CITY OFFICES

Finding:

During our testing of cash deposits, we noted that the City was depositing every three business days without exception. There are instances, however, when there is substantial cash on hand at the City office overnight locked in a lockbox.

**NIBLEY CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2005**

18. CASH IN THE CITY OFFICES (continued)

Recommendation:

We recommend that the City insure that cash is being deposited every business day and that receipts not be left in the office overnight. We also recommend that the City place a sign on the City building stating that Nibley City Corporation does not maintain cash overnight. This would help deter theft.

Status:

Implemented.

NIBLEY CITY

Gerald K. Knight
Mayor

625 WEST 3200 SOUTH
NIBLEY, UTAH 84321

435-752-0431
Fax 435-753-1510

COUNCIL MEMBERS
Bryan M Hansen
Jay Harrison
Scott W. Larsen
Thayne R. Mickelson
Scott Wells

February 27, 2006

Mr. MacRay A. Curtis
Office of State Auditor
State Capitol Building E310
Salt Lake City, Utah 84114-3210

Dear Mr. Curtis:

This is in response to your letter of January 27, 2006 regarding problems with the Nibley City financial report.

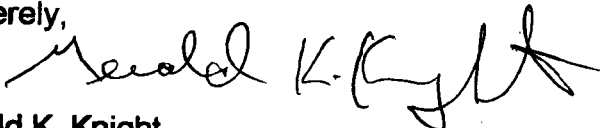
1. Fund Balance limitation. The city is aware of this statute and shall attempt to comply. However, if the city is going to err it will be on the side of having a fund balance that is a little large than a too small. We believe we owe it to our citizens to have a little money on hand in the case of an emergency rather than run into a negative balance in such case. We will appropriate some of that fund balance this year but we expect to be conservative rather than spend every last dime with which we are entrusted.

2. Departmental Expenditures. The City will take action to determine that the departmental budgets are not overspent at the end of the current year. Larry Anhder, Nibley City Manager and City Recorder, will be the responsible person on this matter.

3. Financial statement disclosures. We will review this with our auditor so that the next audit is in compliance.

Thank you for your careful review of Nibley's financial reports. Please feel free to contact me if you have further comments.

Sincerely,



Gerald K. Knight
Mayor